



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Spokane Regional Clean Air Agency

Spokane County

For the period July 1, 2013 through June 30, 2015

Published June 27, 2016

Report No. 1016917





Washington State Auditor's Office

June 27, 2016

Board of Directors
Spokane Regional Clean Air Agency
Spokane, Washington

Report on Financial Statements

Please find attached our report on the Spokane Regional Clean Air Agency's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

A handwritten signature in dark ink, reading "Troy X. Kelley". The signature is written in a cursive style with a large "X" for the middle initial.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Spokane Regional Clean Air Agency
Spokane County
July 1, 2013 through June 30, 2015**

Board of Directors
Spokane Regional Clean Air Agency
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Spokane Regional Clean Air Agency, Spokane County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated May 27, 2016.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 27, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Regional Clean Air Agency Spokane County July 1, 2013 through June 30, 2015

Board of Directors
Spokane Regional Clean Air Agency
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Spokane Regional Clean Air Agency, Spokane County, Washington, for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Spokane Regional Clean Air Agency has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Spokane Regional Clean Air Agency, for the years ended June 30, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Spokane Regional Clean Air Agency, as of June 30, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

May 27, 2016

FINANCIAL SECTION

Spokane Regional Clean Air Agency Spokane County July 1, 2013 through June 30, 2015

FINANCIAL STATEMENTS

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Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

Spokane Regional Clean Air Agency
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2015

	Total for All Funds (Memo Only)	001 Current Expense	104 VERP III	105 Illustrations For Comic/Activity	128 State Wood Smoke Reduction	131 Air Operating Permit Title V	132 Asbestos	133 Source Registration	134 NOC/NO/ISEPA
Beginning Cash and Investments									
30810 Reserved	417,861	190,536	13,511	-	-	33,004	110,385	70,425	-
30880 Unreserved	1,467,210	1,467,210	-	-	-	-	-	-	-
388 & 588 Prior Period Adjustments, Net	-	-	-	-	-	-	-	-	-
Operating Revenues									
320 Licenses and Permits	1,355	1,355	-	-	-	-	-	-	-
330 Intergovernmental Revenues	426,408	355,478	-	-	70,930	-	-	-	-
340 Charges for Goods and Services	978,284	-	-	-	-	104,541	263,924	475,623	134,196
350 Fines and Penalties	71,726	71,726	-	-	-	-	-	-	-
360 Miscellaneous Revenues	624,464	503,403	-	5,000	-	22,162	-	-	93,899
Total Operating Revenues:	2,102,238	931,962	-	5,000	70,930	126,703	263,924	475,623	228,096
Operating Expenditures									
550 Natural and Economic Environment	2,005,951	835,481	31,221	5,000	70,930	159,707	211,394	464,121	228,096
598 Miscellaneous Expenses	-	-	-	-	-	-	-	-	-
Total Operating Expenditures:	2,005,951	835,481	31,221	5,000	70,930	159,707	211,394	464,121	228,096
Net Operating Increase (Decrease):	96,286	96,481	(31,221)	-	-	(33,004)	52,530	11,502	(0)
Nonoperating Revenues									
370-380, 395 & 398 Other Financing Sources	8,038	8,038	-	-	-	-	-	-	-
391-393 Debt Proceeds	-	-	-	-	-	-	-	-	-
397 Transfers-In	61,591	36,591	25,000	-	-	-	-	-	-
Total Nonoperating Revenues:	69,629	44,629	25,000	-	-	-	-	-	-
Nonoperating Expenditures									
580, 596 & 599 Other Financing Uses	-	-	-	-	-	-	-	-	-
591-593 Debt Service	-	-	-	-	-	-	-	-	-
594-595 Capital Expenditures	-	-	-	-	-	-	-	-	-
597 Transfers-Out	61,591	61,591	-	-	-	-	-	-	-
Total Nonoperating Expenditures:	61,591	61,591	-	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Investments:	104,324	79,519	(6,221)	-	-	(33,004)	52,530	11,502	(0)
Ending Cash and Investments									
5081000 Reserved	442,848	190,717	7,290	-	-	-	162,915	81,926	-
5088000 Unreserved	1,546,548	1,546,548	-	-	-	-	-	-	-
Total Ending Cash and Investments	1,989,396	1,737,265	7,290	-	-	-	162,915	81,926	-

The accompanying notes are an integral part of this statement.

Spokane Regional Clean Air Agency
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2014

	Total for All Funds (Memo Only)	001 Current Expense	104 VERP III	126 State Wood Stove Change-Out Grant	128 State Wood Smoke Reduction	131 Air Operating Permit Title V	132 Asbestos	133 Source Registration	134 NOC/NOI/SEPA	201 Debt Service Building Loan
Beginning Cash and Investments										
30810 Reserved	209,575	-	21,883	25,000	-	-	101,038	61,654	-	-
30880 Unreserved	1,536,559	1,536,559	-	-	-	-	-	-	-	-
388 & 588 Prior Period Adjustments, Net	-	-	-	-	-	-	-	-	-	-
Operating Revenues										
320 Licenses and Permits	1,174	1,174	-	-	-	-	-	-	-	-
330 Intergovernmental Revenues	417,191	363,121	-	-	54,070	-	-	-	-	-
340 Charges for Goods and Services	1,037,289	-	-	-	-	170,549	248,963	431,029	186,748	-
350 Fines and Penalties	70,749	70,749	-	-	-	-	-	-	-	-
360 Miscellaneous Revenues	659,900	625,394	-	-	-	-	-	-	34,506	-
Total Operating Revenues:	2,186,303	1,060,438	-	-	54,070	170,549	248,963	431,029	221,254	-
Operating Expenditures										
550 Natural and Economic Environment	1,973,737	836,049	38,372	24,574	54,070	137,545	239,617	422,257	221,253	-
Total Operating Expenditures:	1,973,737	836,049	38,372	24,574	54,070	137,545	239,617	422,257	221,253	-
Net Operating Increase (Decrease):	212,566	224,389	(8,372)	(24,574)	-	33,004	9,346	8,772	1	-
Nonoperating Revenues										
370-380, 395 & 398 Other Financing Sources	2,500	2,500	-	-	-	-	-	-	-	-
391-393 Debt Proceeds	-	-	-	-	-	-	-	-	-	-
397 Transfers-In	84,926	426	30,000	-	-	-	-	-	-	-
Total Nonoperating Revenues:	87,426	2,926	30,000	-	-	-	-	-	-	-
Nonoperating Expenditures										
580, 596 & 599 Other Financing Uses	-	-	-	-	-	-	-	-	-	-
591-593 Debt Service	54,500	-	-	-	-	-	-	-	-	-
594-595 Capital Expenditures	21,828	21,828	-	-	-	-	-	-	-	-
597 Transfers-Out	84,926	84,500	-	426	-	-	-	-	-	-
Total Nonoperating Expenditures:	161,254	106,328	-	426	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Investments:	138,738	120,987	(8,372)	(25,000)	-	33,004	9,346	8,772	1	-
Ending Cash and Investments										
5081000 Reserved	445,590	218,265	13,511	-	-	33,004	110,385	70,425	-	-
5088000 Unreserved	1,439,282	1,439,281	-	-	-	-	(1)	1	1	-
Total Ending Cash and Investments	1,884,872	1,657,546	13,511	-	-	33,004	110,384	70,426	1	-

The accompanying notes are an integral part of this statement.

Spokane Regional Clean Air Agency
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2015

		Total for All Funds (Memo Only)	601 AOP DOE Oversight	602 Youth Conference
308	Beginning Cash and Investments	11,176	-	11,176
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	11,347	11,347	-
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	11,176	-	11,176
580-590	Other Decreases and Financing Uses	11,347	11,347	-
Net Increase (Decrease) in Cash and Investments:		(11,176)	0	(11,176)
508	Ending Cash and Investments	-	-	-

The accompanying notes are an integral part of this statement.

Spokane Regional Clean Air Agency
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2014

		Total for All Funds (Memo Only)	601 AOP DOE Oversight	602 Youth Conference
308	Beginning Cash and Investments	8,367	-	8,367
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	4,800	-	4,800
380-390	Other Increases and Financing Sources	16,178	16,178	-
510-570	Expenditures	1,991	-	1,991
580-590	Other Decreases and Financing Uses	16,178	16,178	-
Net Increase (Decrease) in Cash and Investments:		2,809	-	2,809
508	Ending Cash and Investments	11,176	-	11,176

The accompanying notes are an integral part of this statement.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Spokane Regional Clean Air Agency (SRCAA) was incorporated on January 1, 1969 and operates under the laws of the state of Washington applicable to Air Pollution Control Agencies. SRCAA is a special purpose district government with the duty to administer the State, Federal, and Local Clean Air Acts and air pollution laws and regulations within Spokane County.

- SRCAA operates an air monitoring network which gathers data and reports air quality and the level of pollution for PM2.5, PM10, and Ozone to the public on an hourly basis.
- Provides education and outreach to the public through direct contact at schools, local events, and social media.
- Issues permits for operation of businesses that create air pollution such as auto body painting, gas stations, large industrial facilities, and others.
- Provides Air Quality maintenance planning and monitoring to ensure continued attainment of the Federal Air Quality Standards for Spokane County.
- Serve the public by responding to complaints and enforcing State, Federal, and Local Air Quality regulations according to RCW 70.94.100 Air pollution Control Authority.

SRCAA reports financial activity in accordance with the Cash Basis Budgeting Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund 001

This fund is the primary operating fund of SRCAA. It accounts for all financial resources except those required or elected to be accounted for in another fund.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015

The following funds have been established by Resolution and adopted by the Board of Directors as designated reserves that have been elected to be accounted for in separate funds. These funds roll-up into the general fund for reporting purposes. Fund 07 was originally combined to be used for both equipment and vehicles; in FY-15 it was divided into two separate reserves with Resolution 15-07 – Fund 07 Monitoring and Fund 08 Vehicles. Fund 10 was established with Resolution 15-08 as Information Technology IT reserve and petty cash was booked as Fund 02.

A Resolution must be approved by the Board of Directors to appropriate expenditures or transfer any portion of the fund balance to another fund.

02	Petty Cash
05	Project Reserve
06	Retirement Reserve
07	Monitoring Equipment Reserve
08	Vehicle Reserve
09	Building Maintenance Reserve
10	Information Technology IT reserve

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. Active Special Revenue Funds in FY-15 include the following:

104	VERP III Fund
105	Illustrations for Comic/Activity Book (Grant)
128	Wood Smoke Reduction (Grant)

The following funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Fee structures are in place according to RCW 70.94. Local Assessments are used to pay the difference between program costs and fees collected.

131	Air Operating Permit (AOP) - federally mandated, fee based full cost recovery
132	Asbestos – fee based full cost recovery
133	Source Registration – fee based full cost recovery
134	NOC/NOI/SEPA –partially fee based cost recovery

Debt Service Funds

These funds account for the financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on general long-term debt.

Currently SRCAA has no long-term debt.

FIDUCIARY FUNDS TYPES

Fiduciary funds account for assets held by the government in a trustee capacity or as an agency on behalf of others.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015

Agency Funds

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

601 Air Operating Permit/Department of Ecology Oversight (AOP/DOE) accounts for assets held by Spokane Regional Clean Air Agency in a trustee capacity as the agent for the State Department of Ecology. The fund was established in FY-10. SRCAA includes an annual AOP/DOE program oversight fee, which is calculated by Ecology, on its annual billing to all Title V Air Operating Permit sources. This fee is collected by SRCAA and passed-thru to Ecology in two payments, March and June each year.

602 Youth Conference is funded from annual solicitation of private business in support of the production of an annual Environmental Youth Conference. In addition, an award of excellence was received from the Pacific Science Center in 2009 by the committee to continue the conference.

In FY-14 the Youth Conference was folded into the STEMposium program in an effort to combine resources and serve a broader youth base. The balance is carried forward each year and used strictly for direct expenses for the Youth Conference; now known as the STEMposium.

In FY-15 the Northeast Washington Education Council agreed to manage the funds for the STEMposium as well as offer additional tax incentives as a non-profit organization. Resolution 14-17 approved by SRCAA Board of Directors October 2, 2014 authorized the transfer of Fund 602 fund balance (\$11,175.99) to the Northeast Washington Education Council to be used for the future STEMposium events. This transfer ends SRCAA's accounting responsibilities and closes the Youth Conference Fund.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid

In accordance with state law SRCAA also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The SRCAA adopts an annual appropriated entity wide budget for all anticipated resources and outlays for the fiscal period. The comprehensive budget document summarizes, at the fund level, the operating budgets for the following funds:

- 001 General fund
- 131 Air Operating Permit Title V AOP
- 132 Asbestos
- 133 Source Registration
- 134 NOC/NOI SEPA Permitting

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015

A single resolution containing all appropriations is approved by the Board of Directors. The budget constitutes the legal authority for expenditures at that level. Annual appropriations lapse at the fiscal period end.

Budgets for project specific funds are adopted by separate resolution identifying details regarding the special purpose or funding source requirements. The budgets for the following funds have been adopted by separate resolution:

- 104 VERP
- 105 Illustrations for Comic/Activity Book
- 128 Wood Smoke Reduction
- 602 Youth Conference/STEMposium

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget is as follows:

Fund	Final Appropriated Amt	Actual Expenses	Variance
001 - Current Expense	\$889,428.50	\$835,481.28	\$53,947.22
104 - VERP III	\$38,510.99	\$31,220.67	\$7,290.32
105-Illustrations For Comic/Activity Bk	\$5,000.00	\$5,000.00	\$0.00
128 - State Wood Smoke Reduction	\$70,930.00	\$70,930.00	\$0.00
131 - Air Operating Permit Title V	\$168,195.00	\$159,707.42	\$8,487.58
132 - Asbestos	\$230,325.00	\$211,394.42	\$18,930.58
133 - Source Registration	\$495,380.00	\$464,121.12	\$31,258.88
134 - NOC/NOI/SEPA	\$249,825.00	\$228,095.71	\$21,729.29
	\$2,147,594.49	\$2,005,950.62	\$141,643.87

Budgeted amounts are authorized to be transferred between programs; however, any revisions that alter the total appropriation or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the agency Board of Directors.

The Agency's budget procedures are mandated by RCW 70.94.092. The steps in the budget process are as follows:

- 1) Prior to the May board of directors meeting, the Agency Director submits a proposed budget to the Board of Directors. This budget is based on priorities established by the Director and the Board and estimates provided by Agency Section Managers during the preceding months, and balanced with revenue estimates made by the Agency Finance & Personnel Administrator.
- 2) The Agency Board of Directors conducts public meetings on the proposed budget in May and/or June.
- 3) The Agency Board of Directors make adjustments to the proposed budget and conduct a public hearing to adopt, by resolution, a final balanced budget no later than the fourth Monday in June.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015

- 4) Within 30 days of adoption, the final budget is available to the public.
- 5) Amending the Budget - When the Agency Board of Directors determine that it is in the best interest of the Agency to increase or decrease appropriations, it may do so by resolution after holding public hearings.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital assets are long-lived assets of the SRCAA and are recorded as expenditures when purchased. Fixed assets of the Agency consist of machinery and equipment with a purchase price of \$2,000 or greater and a useful life of seven (7) or more years. Capital assets are recorded as expenditures when purchased.

A summary of changes in the general fixed assets follows:

Balance July 1, 2014	\$ 1,294,979
Additions	\$ 0
Deletions	\$ 18,846
Balance June 30, 2015	\$ 1,276,133

F. Compensated Absences

Vacation leave may be accumulated up to 360 hours, and is payable upon resignation, retirement, or death. At June 30, 2015 total accumulated leave liability (sick and vacation) was valued at \$141,483 also shown on Schedule 9. This represents a \$20,550 reduction of the June 30, 2014 leave liability which was realized with the retirement of William Dameworth.

Employees may accrue an unlimited number of sick leave hours. Upon retirement employees will be paid for up to 975 hrs of sick leave as follows: unused sick leave earned prior to November 1, 2007 will be paid at 50% of employees base rate of pay, unused sick leave earned on or after November 1, 2007 will be paid at 25% of employees base rate of pay. Sick leave is used on a last in first out basis. Employees who terminate employment for any reason other than retirement will not be compensated for unused sick leave.

G. Long-Term Debt See Note 3, Debt Service Requirements.

H. Risk Management

SRCAA is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Inter-local Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

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Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides “per occurrence” based policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers crime coverage up to a limit of \$1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the SRCAA Board of Directors. When expenditures that meet restrictions are incurred, the SRCAA intends to use reserved resources first before using unreserved amounts. Reservations of Ending Cash and Investments are listed below:

The agency has the following reserve funds that have been established with resolutions by the Board of Directors. These funds are reserved for the specific use indicated by the fund title. Annual deposits for these funds are included in the general fund budget each year. While the funding is included in the general fund budget process, specific resolutions for each fund appropriation and expenditure are required as separate actions.

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- Fund 006 Retirement Payoff Reserve
Purpose; to pay annual leave and sick leave at retirement
June 30, 2015 balance: \$87,527
- Fund 007 Equipment Reserve
Purpose; to replace monitoring equipment
June 30, 2015 balance: \$54,886
- Fund 008 Vehicle Reserve
Purpose; to replace vehicles as needed
June 30, 2015 balance: \$44,629
- Fund 009 Building Maintenance Reserve
Purpose; to maintain and upgrade the building as needed
June 30, 2015 balance: \$3,674.70
- Fund 010 Information Technology IT
Purpose; to upgrade and stay current with technology
June 30, 2015 balance: \$0.00

- Fund 104 VERP (Vehicle Emission Repair Program)
Fund 104 VERP was established in 2001 as a program to reduce vehicle emissions and is a Vehicle Emission Repair Program. It was originally established as a Supplemental Environmental Project to achieve transportation related emission reductions. It is a joint program operated under a Memorandum of Understanding between Spokane Clean Air, State Department of Ecology (DOE) and Spokane Neighborhood Action Partners (SNAP). Funding sources have varied over the years from large specific enforcement agreements, to state transportation emission reduction grants. Since 2010 it has been funded with appropriations from Spokane Clean Air Project Reserve Fund 005. The funds are appropriated for the specific use of continuing the VERP program and thereafter reserved and carried forward each year.
June 30, 2015 balance: \$7,290

Fee based programs are authorized under RCW 70.94.151, 70.94.152, 70.94.161 & 162. The RCW details the work that can be charged to the programs. In addition, the RCW mandates that fees collected under this authority must be used strictly for running that program. Therefore, all year end fund balance is defined as reserved and is included in the next year's budget.

- Fund 131 Air Operating Permit Title V
June 30, 2015 balance: \$0.0
- Fund 132 Asbestos
June 30, 2015 balance: \$162,915
- Fund 133 Source Registration
June 30, 201 balance: \$81,926

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Unreserved Fund Balance

The fund balance in the following funds is unreserved and available for appropriation by resolution and Board approval:

- Fund 001 General Fund
June 30, 2015 balance: \$1,535,984
- Fund 005 Project Reserve Unreserved (previously reported as reserved – does not qualify as reserved corrected in this reporting period)
Purpose: Unidentified unfunded projects or purchases that benefit Spokane County Air Quality
June 30, 2015 balance: \$10,564

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The Spokane County Treasurer acts as treasurer for SRCAA. SRCAA deposits are invested as legally prescribed in various financial institutions in the form of U.S. Government obligations, U.S. Government agencies, certificates of deposit, savings accounts, bankers' acceptances, repurchase agreements, municipal bonds, and the Washington State Treasurers Local Government Investment Pool.

B. Investments

It is the policy of Spokane County to safely invest public funds in accordance with governing statutes in a manner which will provide the best investment return given; the Treasurer has a banking custodial duty to return the principal to the entities when needed. Investments are made by designated personnel in accordance with the Spokane County Treasurer's investment policy. The Treasurer's policy dictates that all investment instruments other than certificates of deposit and County notes be transacted on the delivery-versus-payment basis.

The County's deposits and certificates of deposit are held by banks that are designated as public depositories in the state of Washington and fall under the scope of the state of Washington's Public Deposit Protection Act. Public depositories must fully collateralize all uninsured public funds with collateral held by a designated trustee.

As of June 30, 2015, the Agency's cash balance invested in the SCIP was \$1,989,396. This amount is stated at cost.

NOTE 3 – LONG-TERM DEBT

SRCAA has no long-term debt.

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NOTE 4 – STATE SPONSORED PENSION PLANS

A. State Sponsored Pension Plans

Substantially all Spokane Regional Clean Air Agency full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

Public Employees' Retirement System (PERS)

The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Effective FY-2015 ending June 30, 2015 the Agency implemented provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a result, the Schedule of Liabilities now includes the Agency's proportionate share of the net pension liability for the cost-sharing, multiple-employer plans in which the Agency participates.

At **June 30, 2015** (the measurement date of the plans), SRCAA's proportionate share of the collective net pension liabilities*, as reported on Schedule 9, was as follows:

	Allocation %	Liability (Asset)
PERS 2/3	0.012817%	\$57,094.06
PERS 1	0.009922%	\$45,603.22

*For DRS sponsored plans, the allocation percentage and collective liability for each plan is available at www.drs.wa.gov.

NOTE 5 -OTHER DISCLOSURES

Significant transactions with related parties.

There are three elected officials on the SRCAA Board of Directors that are in positions to influence budgetary and financial decisions and policies for other entities. They may also be appointed to various committees and regional groups. These members would be considered related parties. There have been no significant transactions with related parties.

There were no extraordinary events this period.

Contingencies and litigations.

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The SRCAA goes through the appeal process for any Notice of Violation Appeals that are filed with the Pollution Control Hearings Board by the violators. Mitigation is generally successful; where both parties agree on a settlement prior to the hearing. There is no litigation to report.

Self-Insurance. SRCAA does not self-insure.

There are no events after the end of the period to report.

SRCAA has no joint ventures.

There is no reason to doubt the long-term continuation of SRCAA as a municipal corporation.

There are no significant commitments or obligations on SRCAA financial resources that are not disclosed in other sections.

Other Items

Cost Recovery Programs

Regulations and Fee Schedules are in place for service fees for the following Funds: 132 Asbestos, 133 Source Registration, and 134 Notice of Construction Permitting. Fees collected are to be used to cover the cost of each program. Any fees collected exceeding the program cost will be reserve fund balance and included in the budget the following year to cover the cost of the program. Annual review of program costs and revenue will be conducted by staff and fee adjustments will be suggested to the Board of Directors as necessary. Changes in fees must follow the standard public notice and public hearing protocol and Board approval prior to an effective date.

The Air Operating Permit Title V Fund 401 is managed to meet requirements in WAC 173-401. This includes permitting, inspections, compliance issues, and annual fees as well as many other specific elements. The program is full cost recovery with Spokane Regional Clean Air Agency Regulations and fee structure in place. Total program costs are billed annually to the affected industrial facilities. The cost of this program fluctuates each year depending on staff time, on permitting, compliance, and industry upgrades and equipment changes. The level of production at facilities is also a factor because of the changes in emissions with every increase or decrease in operations.

ON-LINE Electronic Asbestos Notice of Intents for Asbestos projects continue to be filed thru our web site. Contractors or the public can log on to the site and complete the NOI and make payment thru the on-line payment option. The information is imported into an agency data base. Asbestos project notices are also accepted in the office or by mail.

SRCAA began accepting credit card payments in February 2015. Customers may pay any fee using a credit card On-Line only (no face to face or over the phone transactions) there is a 3.8% fee charged to the user to help offset the banking fees assessed for each transaction.

The funds are transferred electronically into the County Bank account daily. Standard cash receipts are prepared at SRCAA and submitted to the County Treasurer's office where the funds are then deposited into SRCAA's account. It has been determined that the fees not recovered are a cost of doing business.

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SRCAA declared a state of emergency pursuant to SRCAA Regulation I Section 9.04.A.6.i. The declaration was issued due to a severe windstorm on July 23, 2014 that caused widespread damage to structures in Spokane County. SRCAA issued an Order whereby the SRCAA Regulation I, Section 10.09 and SRCAA's fee schedule would be completely waived if it was demonstrated to SRCAA's satisfaction that the structure was damaged by the windstorm on July 23, 2014. The Order was extended to include a second storm on August 2, 2014. It remained in effect until December 31, 2014.

Three Asbestos notices were filed under the Order:

NOI 14-0052 \$ 60.00

NOI 14-0046 \$500.00

NOI 14-0030 \$250.00

A total of \$810.00 was waived under this Emergency Order

FY-15 Staffing

SRCAA has a staff of 18 employees; seventeen full time and one support person working 80%.. No additional positions have been added.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Spokane Regional Clean Air Agency (SRCAA) reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The SRCAA was incorporated on January 1, 1969 and operates under the laws of the state of Washington applicable to Air Pollution Control Agencies. SRCAA is a Special Purpose District government with the duty to administer the State, Federal, and Local Clean Air Acts and air pollution laws and regulations within Spokane County. According to RCW 70.94.100 Air pollution Control Authority. SRCAA uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the SRCAA are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The SRCAA's resources are allocated to and accounted for in individual funds depending on their intended purpose. SRCAA reports as Governmental Cash and therefore may not use enterprise funds. The following fund types are used by SRCAA:

GOVERNMENTAL FUND TYPES:

General Fund 001

This fund is the primary operating fund of SRCAA. It accounts for all financial resources except those required or elected to be accounted for in another fund.

The following funds have been established by Resolution adopted by the Board of Directors as designated reserves that have been elected to be accounted for in separate funds. These funds roll-up into the general fund for reporting purposes. A Resolution must be adopted by the Board of Directors to appropriate expenditures or transfer any portion of the fund balance to another fund.

05	Project Reserve
06	Retirement Reserve
07	Equipment/Vehicle Reserve
08	Building Maintenance Reserve

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the SRCAA. Active Special Revenue Funds in FY-14 include the following:

104	VERP III Fund
126	State Wood Stove Change-out Project
128	Wood Smoke Reduction Grant

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The following funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Fee structures are in place according to RCW 70.94 with a goal to bring these funds into a full cost recovery position. In the mean time, Local Assessments are used to pay the difference between program costs and fees collected.

131	Air Operation Permit (AOP) – federally mandated, fee based full cost recovery
132	Asbestos
133	Source Registration
134	NOC/NOI/SEPA

Debt Service Funds

Fund 201 accounts for the accumulation of resources to pay principal, interest and related costs on general long-term debt. SRCAA entered into a Promissory Note with the Spokane County Treasurer for a loan to help purchase the property at 3104 E Augusta in FY-09. The five year loan was received in July 2008 and the first payment was due in July 2009, FY-10. Annual payments have been made with the last one paid July 30, 2013.

Fiduciary Funds

"Fiduciary funds account for assets held by the agency in a trustee capacity or as an agent on behalf of others."

Fund 601 Air Operating Permit/Department of Ecology Oversight (AOP/DOE) accounts for assets held by Spokane Regional Clean Air Agency in a trustee capacity as the agent for the State Department of Ecology. The fund was established in FY-10. SRCAA includes an annual AOP/DOE program oversight fee, which is calculated by Ecology, on its annual billing to all Title V Air Operating Permit sources. This fee is collected by SRCAA and passed-thru to Ecology in two payments, March and June each year.

Fund 602 Youth Conference is funded from annual solicitation of private business in support of the production of an annual Environmental Youth Conference. In addition, an award of excellence was received from the Pacific Science Center in 2009 by the committee to continue the conference.

In FY-14 the Youth Conference was folded into the STEMposium program in an effort to combine resources and serve a broader youth base. The balance is carried forward each year and used strictly for direct expenses for the Youth Conference; known as the STEMposium in the future.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

In accordance with state law the SRCAA also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expenses during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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c. Budgets

The SRCAA adopts a comprehensive, entity-wide budget for all anticipated resources and outlays for the fiscal period. The comprehensive budget document summarizes, at the fund level, the operating budgets for the entire agency. A single resolution containing all appropriations is approved by the Board of Directors. Annual appropriations lapse at the fiscal period end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual operating expenditures for the legally adopted budget are as follows:

Fund	Final Appropriated Amt	Actual Expenses	Variance
001 - Current Expense	\$1,403,152.42	\$836,048.70	\$567,103.72
104 - VERP III	\$51,883.02	\$38,372.03	\$13,510.99
126 - State Wood Stove Change-out Grant	\$24,999.81	\$24,573.79	\$426.02
128 - State Wood Stove Reduction	\$125,000.00	\$54,070.00	\$70,930.00
131 - Air Operating Permit Title V	\$138,000.00	\$137,544.90	\$455.10
132 - Asbestos	\$240,000.00	\$239,615.47	\$384.53
133 - Source Registration	\$423,500.00	\$422,258.22	\$1,241.78
134 - NOC/NOI/SEPA	\$222,500.00	\$221,254.20	\$1,245.80
	<u>\$2,629,035.25</u>	<u>\$1,973,737.31</u>	<u>\$655,297.94</u>

Budgeted amounts are authorized to be transferred between programs; however, any revisions that alter the total appropriation, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the agency Board of Directors.

The Agency's budget procedures are mandated by RCW 70.94.092. The steps in the budget process are as follows:

- 1) Prior to the May board of directors meeting, the Agency Director submits a proposed budget to the Board of Directors. This budget is based on priorities established by the Director and the Board and estimates provided by Agency Departments during the preceding months, and balanced with revenue estimates made by the Agency Finance & Personnel Administrator.
- 2) The Agency Board of Directors conducts public meetings on the proposed budget in May and/or June.
- 3) The Agency Board of Directors make adjustments to the proposed budget and conduct a public hearing to adopt, by resolution, a final balanced budget no later than the fourth Monday in June.
- 4) Within 30 days of adoption, the final budget is available to the public.
- 5) Amending the Budget - When the Agency Board of Directors determine that it is in the best interest of the Agency to increase or decrease appropriations, it may do so by resolution after holding public hearings.

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d. Cash

It is SRCAA's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the general fund.

Other Financing Sources or uses consists of Transfers-in and Transfers-out between funds.

e. Deposits

All cash balances are deposited with the Spokane County Treasurer, who invests these funds in the Spokane County Investment Pool (SCIP). The County's deposits and certificates of deposit are entirely covered by federal depository (FCIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

f. Investments See (Investment Note No 2)

g. Capital Assets and Depreciation

Capital assets are long-lived assets of the SRCAA and are recorded as expenditures when purchased. Fixed assets of the Agency consist of machinery and equipment with a purchase price of \$2,000 or greater and a useful life of seven (7) or more years. Capital assets are recorded as expenditures when purchased

A summary of changes in the general fixed assets follows:

Balance July 1, 2013	\$1,288,202
Additions	\$ 28,144
Deletions	\$ 21,367
Balance June 30, 2014	\$ 1,294,979

h. Compensated Absences

Vacation leaves may be accumulated up to 360 hours, and are payable upon resignation, retirement, or death. At June 30, 2014 total accumulated leave liability (sick and vacation) was valued at \$162,033 also shown on the schedule 9.

Employees may accrue an unlimited number of sick leave hours. Upon retirement employees will be paid for up to 975 hrs of sick leave as follows: unused sick leave earned prior to November 1, 2007 will be paid at 50% of employees base rate of pay, unused sick leave earned on or after November 1, 2007 will be paid at 25% of employees base rate of pay. Sick leave is used on a last in first out basis. Employees who terminate employment for any reason other than retirement will not be compensated for unused sick leave.

i. Long-Term Debt See (Long-Term Debt Note No. 3).

j. Risk Management

SRCAA is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for

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risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2013, there are 486 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides “per occurrence” based policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, and business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;
\$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

k. Reserve Fund Balance

The agency has four reserve funds that have been established with resolutions by the Board of Directors. They include: Fund 005, Project Reserve; Fund 006 Retirement Payoff Reserve; Fund 007 Equipment/Vehicle Reserve; and Fund 009 Building Maintenance Reserve. These funds are reserved for the specific use indicated by the fund title. Annual deposits for these funds are included in the general fund budget each year. While the funding is included in the general fund budget process, specific resolutions for appropriation and expenditure are required as separate actions.

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Fund 104 VERP was established in 2001 as a program to reduce vehicle emissions and is a Vehicle Emission Repair Program. It was originally established as a Supplemental Environmental Project to achieve transportation related emission reductions. It is a joint program operated under a Memorandum of Understanding between Spokane Clean Air, State Department of Ecology (DOE) and Spokane Neighborhood Action Partners (SNAP). Funding sources have varied over the years from large specific enforcement agreements, to state transportation emission reduction grants, and since 2010 it has been funded with appropriations from Spokane Clean Air Project Reserve Fund 005. The funds are appropriated for the specific use of continuing the VERP program and therefore reserved and carried forward each year.

Funds 131 Air Operating Permit Title V, 132 Asbestos program, 133 Source Registration program, 134 NOC/NOI/SEPA are fee based programs and RCW 70.94.151, 70.94.152, 70.94.161 & 162 details the work that can be charged to the programs. In addition, the RCW mandates that fees collected under this authority must be used strictly for running that program. Therefore, all year end fund balance is defined as reserved and is included in the next year's budget.

Special grants that are in place require any fund balance be reserved for use as the grant dictates, Fund 126 State Wood Stove Change-out Project fit this description.

Fund 602 Youth Conference is funded from public donations solicited and received specifically for this event and an award of excellence received from the Pacific Science Center in 2009. Fund balance is reserved for this annual event.

Unreserved Fund Balance

The fund balance in Fund 001 General Fund is unreserved and available for appropriation by resolution and Board approval.

NOTE 2 – INVESTMENTS

The Spokane County Treasurer automatically invests money deposited by SRCAA with the Spokane County Treasurer in the Spokane County Investment Pool (SCIP). As a participant in the SCIP, money deposited is treated as invested when deposited.

The County's deposits and certificates of deposit are entirely covered by federal depository insurance (FCIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The Finance Committee of Spokane County provides regulatory oversight of SCIP. The Pool is audited annually by the State Auditor's Office as part of the annual Spokane County Audit. The Pool is not registered with the SEC and has not obtained or provided any legally binding guarantees.

As required by state law, all investments made by Spokane County are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of other states or municipalities, the State Treasurer's Investment Pool, or certificate of deposit with Washington State banks and savings and loan institutions. As of June 30, 2014, the Agency's cash balance invested in the SCIP was \$1,884,870. This amount is stated at cost.

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NOTE 3 – LONG-TERM DEBT

SRCAA entered into a Promissory Note with Spokane County Treasurer borrowing \$225,000 to enable the agency to purchase the property and building at 3104 E Augusta, Spokane WA. The note was repaid with five payments the first being due on July 30, 2009.

Debt Summary Promissory Note with Spokane Treasurer for Purchase of Building & Property

Date	Loan Amount	Loan Payment	Interest Rate	Annual Interest payment
7/30/2008	\$225,000.00			
7/30/2009		\$45,000.00	2.79%	\$1,255.50
7/30/2010		\$45,000.00	3.27%	\$2,943.00
7/30/2011		\$45,000.00	3.65%	\$4,927.50
7/30/2012		\$45,000.00	4.04%	\$7,272.00
7/30/2013		\$45,000.00	4.22%	\$9,495.00
Total Paid		\$225,000.00		\$25,893.00

The fifth payment of \$45,000 plus interest was made on July 30, 2013. The debt was paid in full on July 30, 2013.

The accompanying Schedule of Liabilities (9) provides more details of the outstanding debt and liabilities of the agency and summarizes the agency's debt transactions for year ended June 30, 2014.

NOTE 4 – PENSION PLANS

Substantially all of the Spokane Regional Clean Air Agency full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the SRCAA's financial statements. Contributions to the systems by both the employee and employer are based upon gross wages covered by plan benefits.

Historical trends or other information regarding each plan is presented in the Washington State Department of Retirement systems annual financial report. A copy of this report may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia WA 98504-8380.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 -OTHER DISCLOSURES

Significant transactions with related parties.

There are three elected officials on the SRCAA Board of Directors that are in positions to influence budgetary and financial decisions and policies for other entities. They may also be appointed to various committees and regional groups. These members would be considered related parties. There have been no significant transactions with related parties.

There were no extraordinary events this period.

Contingencies and litigations.

The SRCAA goes through the appeal process for any Notice of Violation Appeals that are filed with the Pollution Control Hearings Board by the violators. Mitigation is generally successful; where both parties agree on a settlement prior to the hearing. There is no litigation to report.

Self-Insurance. SRCAA does not self-insure.

There are no events after the end of the period to report.

SRCAA has no joint ventures.

There is no reason to doubt the long term continuation of SRCAA as a municipal corporation.

There are no significant commitments or obligations on SRCAA financial resources that are not disclosed in other sections.

Other Items

Cash Basis Reporting

SRCAA is considered a Category 2 entity under the authority of Washington State law and financial statements have been prepared using cash basis accounting in accordance with the procedures outlined in the Budgeting, Accounting and Reporting System (BARS) manual established for Category 2 entities. In addition, following a detailed review in early 2011 by the State Auditors Office, and their resulting presentation to the State Air Program Directors, it was decided that Air Authorities may report as governmental or proprietary. SRCAA has decided to report as governmental and has adjusted BARS codes to meet that format.

Cost Recovery Programs

Regulations and Fee Schedules are in place for service fees for the following Funds: 132 Asbestos, 133 Source Registration, and 134 Notice of Construction Permitting. Fees collected are to be used to cover the cost of each program. Any fees collected exceeding the program cost will be reserve fund balance and included in the budget the following year to cover the cost of the program. Annual review of program costs and revenue will be conducted by staff and fee adjustments will be suggested to the Board of Directors as necessary. A three year incremental fee increase for the 133 Source Registration services was in approved with Resolution FY-13-11 August 1, 2013. Changes in fees must follow the standard public notice and public hearing protocol and Board approval prior to an effective date.

SPOKANE REGIONAL CLEAN AIR AGENCY ANNUAL REPORT
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The Air Operating Permit Title V Fund 401 is managed to meet requirements in WAC 173-401. This includes permitting, inspections, compliance issues, and annual fees as well as many other specific elements. The program is full cost recovery with Spokane Regional Clean Air Agency Regulations and fee structure in place. Total program costs are billed annually to the affected industrial facilities. The cost of this program fluctuates each year depending on staff time, on permitting, compliance, and industry upgrades and equipment changes. The level of production at facilities is also a factor because of the changes in emissions with every increase or decrease in operations.

ON-LINE payments for Asbestos Notice of Intents to Remove asbestos or Demolition of buildings (NOI's) continue to be filed thru our web site. Contractors or the public can log on to the site and complete the NOI and make payment thru the on-line payment option. The funds are transferred electronically into the County Bank account daily. Standard cash receipts are prepared at SRCAA and submitted to the County Treasurer's office where the funds are then deposited into SRCAA's account. A processing fee is charged by the bank for each transaction, it has been determined that this fee is a cost of doing business. NOI's are accepted in the office as hard copy as well.

FY-14 Staffing

SRCAA has a staff of 18 employees; seventeen full time and one support person working 80%. One position has not been filled and was not funded in FY-14. No additional positions have been added.

Spokane Regional Clean Air Agency
Schedule of Liabilities
For the Year Ended June 30, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
259.11	compensated absences	6/30/2015	162,033	-	20,550	141,483
263.93	State Sponsored Pension Plan DRS - PERS 2 & 3		267,345	190,614	-	457,959
263.93	State Sponsored Pension Plan DRS - PERS 1		501,840	17,173	-	519,013
Total General Obligations:			931,218	207,787	20,550	1,118,455
Total Liabilities:			931,218	207,787	20,550	1,118,455

Spokane Regional Clean Air Agency
Schedule of Liabilities
For the Year Ended June 30, 2014

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations						
251.11	Loan & Payments	7/1/2013	45,000	-	45,000	-
259.11	Compensated Absences		148,638	13,395	-	162,033
Total General Obligations:			193,638	13,395	45,000	162,033
Total Liabilities:			193,638	13,395	45,000	162,033

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov